

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>BOYNE DISTRICT LIBRARY</b>	County <b>CHARLEVOIX</b>
Audit Date <b>4/30/05</b>	Opinion Date <b>10/13/05</b>	Date Accountant Report Submitted to State: <b>10/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**MASON & KAMMERMAN, P.C.**

Street Address

**110 PARK AVENUE**

City

**CHARLEVOIX**

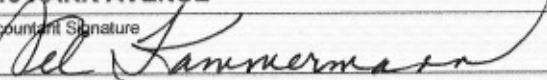
State

**MI**

ZIP

**49720**

Accountant Signature



Date

**10/31/05**

BOYNE DISTRICT LIBRARY

BOYNE CITY, MICHIGAN

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FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended April 30, 2005

# **Boyne District Library**

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 13, 2005

Board of Trustees  
Boyne District Library  
Boyne City, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Boyne District Library, as of and for the year ended April 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Boyne District Library as of April 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of May 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mason & Kammermann, P.C.*

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Boyne District Library**

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## **Management Discussion and Analysis**

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Boyne District Library's basic financial statements. The Library's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Library's financial position is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Both government-wide financial statements distinguish functions of the entity that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Library include a single program function, culture and recreation.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Boyne District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are classified as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

# **Boyne District Library**

## **Management Discussion and Analysis**

statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Summary of Net Assets**

The following schedule summarizes the net assets at April 30, 2005:

<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 219,601
Investments	110,602
Accounts Receivable	3,128
Prepaid Expenditures	6,421
Due From Other Governmental Units	<u>29,039</u>
Total Current Assets	<u>368,791</u>
<b>Noncurrent Assets</b>	
Capital Assets	3,048,746
Less: Accumulated Depreciation	<u>(771,564)</u>
Total Noncurrent Assets	<u>2,277,182</u>
Total Assets	<u>2,645,973</u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Liabilities</b>	
Accounts Payable	9,220
Accrued Payroll Taxes	4,185
Accrued Vacation Leave	<u>2,495</u>
Total Liabilities	<u>15,900</u>

# **Boyne District Library**

## **Management Discussion and Analysis**

### **Net Assets**

Invested in Capital Assets	2,277,182
Unrestricted	<u>352,891</u>
Total Net Assets	<u><u>\$ 2,630,073</u></u>

### Analysis of Financial Position

During the fiscal year ended April 30, 2005 the Library's net assets increased by \$66,557. A few of the more significant factors affecting net assets during the year are discussed below:

#### Depreciation Expense

GASB 34 requires Libraries to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended April 30, 2005, \$100,028 was recorded for depreciation expense.

#### Capital Outlay Acquisitions

For the fiscal year ended April 30, 2005, \$48,588 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$51,440 for the fiscal year ended April 30, 2005.



# **Boyne District Library**

## **Management Discussion and Analysis**

### Results of Operations

For the fiscal year ended April 30, 2005, the results of operations were:

	<b>Amount</b>	<b>% of Total</b>
<b>General Revenues</b>		
Property Taxes	\$ 379,076	84.31%
Investment Earnings	8,546	1.90%
Penal Fines	37,658	8.38%
State Aid	3,128	0.70%
Other	<u>3,834</u>	<u>0.85%</u>
 Total General Revenues	 <u>432,242</u>	 <u>96.14%</u>
<b>Program Revenues</b>		
Charges for Services	7,762	1.72%
Operating Grants & Contributions	<u>9,627</u>	<u>2.14%</u>
 Total Revenues	 <u>449,631</u>	 <u>100.00%</u>
<b>Expenses</b>		
Recreation and Culture	<u>383,074</u>	<u>100.00%</u>
 Changes in Net Assets	 <u>\$ 66,557</u>	

Significant revenues and expenses are discussed in the segments below:

#### 1. Property Taxes

The voters of Bay, Evangeline, Eveline and Wilson Townships and the City of Boyne City have approved the levy of 1.0194 mills for property taxes to fund the Library's operations.

The following table summarizes the operating property tax levies for operations for the past two years:

<u>Fiscal Year</u>	<u>Operating Tax Levy</u>
2005	379,076
2004	233,939

# **Boyne District Library**

## **Management Discussion and Analysis**

### **2. Donations**

During the year, the Library received donations for general operations, which accounted for \$9,627.

### **3. Local Sources**

The majority of the local source income is comprised of penal fines received from Charlevoix County. The Library collected \$37,658 in penal fines for 2005.

### **4. State Aid**

The Library funds a portion of its operations with categorical sources. For the fiscal year ended April 30, 2005, state aid accounted for \$3,128.

### **Expenditures**

A comparison of expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

<b>Expenditures</b>	<b>Amount</b>	<b>% of Total</b>
Salaries and Wages	\$ 159,780	48.18%
Employee Fringe Benefits	37,131	11.20%
Professional Services	4,095	1.23%
Contracted Services	1,994	0.60%
Utilities	40,850	12.32%
Insurance	6,643	2.00%
Repairs and Maintenance	13,394	4.04%
Library Books	29,074	8.77%
Periodicals	1,877	0.57%
Office Supplies	5,455	1.64%
Operating Supplies	7,053	2.13%
Dues and Fees	2,137	0.64%
Miscellaneous	2,637	0.80%
Capital Outlay	19,514	5.88%
Total Expenditures	<u>\$ 331,634</u>	<u>100.00%</u>

# **Boyne District Library**

## **Management Discussion and Analysis**

### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on May 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on April 30.

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget
Total Revenues	\$ 299,250	\$ 437,066	\$ 449,631	\$ 12,565
Total Expenditures	297,050	379,550	331,634	(47,916)
Net Change in Fund Balance	<u>\$ 2,200</u>	<u>\$ 57,516</u>	<u>\$ 117,997</u>	<u>\$ 60,481</u>

The variance in the Total Revenue Original Budget to Final Budget was an increase of \$137,816. The variance in the Total Expenditures Original Budget to Final Budget was an increase of \$82,500. This occurred after the Board adopted the original budget and before the final budget amendment was prepared for the fiscal year ending April 30, 2005.

### **Capital Assets**

At April 30, 2005, the Library had \$3,048,746 in capital assets, including land, buildings and improvements, equipment, furniture and fixtures, as well as books. Depreciation expense for the year amounted to \$100,028 bringing the accumulated depreciation to \$771,564 as of April 30, 2005.

### **Requests for Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. If you have questions about this report, please contact Boyne District Library, 201 East Main St., Boyne City, MI 49712.

# Boyne District Library

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## Statement of Net Assets April 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
<b>Current Assets</b>	
Cash	\$ 219,601
Investments	110,602
Accounts Receivable	3,128
Prepaid Expenditures	6,421
Due From Other Governmental Units	<u>29,039</u>
Total Current Assets	<u>368,791</u>
<b>Noncurrent Assets</b>	
Capital Assets	3,048,746
Less: Accumulated Depreciation	<u>(771,564)</u>
Total Noncurrent Assets	<u>2,277,182</u>
Total Assets	<u>2,645,973</u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts Payable	9,220
Accrued Payroll Taxes	4,185
Accrued Vacation Leave	<u>2,495</u>
Total Liabilities	<u>15,900</u>
<b>Net Assets</b>	
Invested in Capital Assets	2,277,182
Unrestricted	<u>352,891</u>
Total Net Assets	<u><u>\$ 2,630,073</u></u>

The accompanying notes are a part of the financial statements.

# Boyne District Library

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## Statement of Activities For Year Ended April 30, 2005

	<u>Expenses</u>
<b>Recreation and Culture</b>	
Salaries & Wages	\$ 159,780
Fringe Benefits	37,131
Professional Services	4,095
Contracted Services	1,994
Utilities	40,850
Insurance	6,643
Repairs and Maintenance	13,394
Periodicals	1,877
Office Supplies	5,455
Operating Supplies	7,053
Dues and Fees	2,137
Miscellaneous	2,637
Depreciation	<u>100,028</u>
Total Program Expenses	383,074
<b>Program Revenues</b>	
Charges for Services	7,762
Operating Grants and Contributions	<u>9,627</u>
Net Program Expenses	(365,685)
<b>General Revenues</b>	
Property Taxes	\$ 379,076
Investment Earnings	8,546
Penal Fines	37,658
State Aid	3,128
Other	<u>3,834</u>
Total General Revenues	<u>432,242</u>
Change in Net Assets	66,557
Net Assets - May 1, 2004	<u>2,563,516</u>
Net Assets - April 30, 2005	<u><u>\$ 2,630,073</u></u>

The accompanying notes are a part of the financial statements.

# Boyne District Library

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## Governmental Funds Balance Sheet April 30, 2005

<u>Assets</u>	<u>General Fund</u>
Cash	\$ 219,601
Investments	110,602
Accounts Receivable	3,128
Prepaid Expenditures	6,421
Due From Other Governmental Units	<u>29,039</u>
Total Assets	<u>\$ 368,791</u>
 <u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts Payable	\$ 9,220
Accrued Payroll Taxes	4,185
Accrued Vacation Leave	<u>2,495</u>
Total Liabilities	15,900
Fund Balance	
Undesignated	<u>352,891</u>
Total Liabilities & Fund Equity	<u>\$ 368,791</u>

The accompanying notes are a part of the financial statements.

# **Boyne District Library**

## **Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets April 30, 2005**

Total Governmental Fund Balances	\$ 352,891
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet

Cost of capital assets	\$ 3,048,746	
Accumulated depreciation	<u>(771,564)</u>	
		<u>2,277,182</u>

Net Assets of Governmental Activities	<u>\$ 2,630,073</u>
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The accompanying notes are a part of the financial statements.

# Boyne District Library

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## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For Year Ended April 30, 2005

	General Fund
<b>Revenues:</b>	
Local Sources	
Property Tax Levy	\$ 379,076
Earnings on Investments and Deposits	8,546
Donations	9,627
Copy Machine Receipts	3,029
Book Fines	4,733
Miscellaneous	3,834
Intermediate Sources	
Penal Fines	37,658
State Sources	
State of Michigan	3,128
Total Revenues	<u>449,631</u>
<b>Expenditures:</b>	
Salaries & Wages	159,780
Fringe Benefits	37,131
Professional Services	4,095
Contracted Services	1,994
Utilities	40,850
Insurance	6,643
Repairs and Maintenance	13,394
Library Books	29,074
Periodicals	1,877
Office Supplies	5,455
Operating Supplies	7,053
Dues and Fees	2,137
Miscellaneous	2,637
Capital Outlay	19,514
Total Expenditures	<u>331,634</u>
Excess of Revenues Over (Under) Expenditures	<u>117,997</u>
Net Change in Fund Balance	117,997
<b>Fund Balances - May 1, 2004</b>	<u>234,894</u>
<b>Fund Balances - April 30, 2005</b>	<u><u>\$ 352,891</u></u>

The accompanying notes are a part of the financial statements.



# **Boyne District Library**

## **Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended April 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 117,997
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Governmental funds report capital outlays and intangible assets as expenditures in the statement of activities.  
These costs are allocated over their estimated useful lives as depreciation or amortization

Depreciation Expense	(100,028)
Capital Outlay	<u>48,588</u>

Changes in Net Assets - Governmental Activities	<u><u>\$ 66,557</u></u>
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The accompanying notes are a part of the financial statements.

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Boyne District Library was established in 1996 under Act 164 of 1995, to provide library services primarily to residents of Bay, Evangeline, Eveline, and Wilson Townships and the City of Boyne City. It is primarily funded by tax revenues from these governmental units. The Library's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No.14.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to financial statements presented in the previous financial reporting model,

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

individual enterprise funds are reported as separate columns in the fund financial statements. The Library has one governmental fund called the General Fund.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

#### **Accrual Method**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### **Modified Accrual Method**

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

### **D. Assets, Liabilities and Equity**

#### **1. Cash and Investments**

Cash is comprised of the amount of funds in bank accounts.

Investments consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

#### **2. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	7 years
Furniture and Fixtures	10 years
Equipment	5 years
Leasehold Improvements	20 years
Buildings	50 years

The Library's capitalization policy is to capitalize individual amounts exceeding \$500 and all books.

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

### **3. Compensated Absences**

It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### **5. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **6. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

### **7. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. As of April 30, 2005, the Library has no long-term debt outstanding.

### **8. Accounting Change**

As of May 1, 2004, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$3,048,746, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Library's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.

The budget is approved by the Library Board prior to the start of the fiscal year that it covers.

All transfers of budget amounts between accounts within the General Fund must be approved by the Library Board.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

adopted, or as amended by the Library board. The budget was amended twice during the year.

Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

### **Excess of Expenditures over Appropriations in Budgeted Funds**

During the year, the Library did not incur expenditures in excess of the amount appropriated.

### **III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP**

#### **A. Deposits and Investments**

The cash in bank, including the certificates of deposit, are on deposit with local federally insured financial institutions.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Insured	\$ 212,165
Uninsured	<u>118,038</u>
	<u>\$ 330,203</u>

# **Boyne District Library**

## **Notes To Financial Statements For Year Ended April 30, 2005**

### **B. Capital Assets**

A summary of changes in the Library's capital assets follows:

	<b>Balance of May 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance of April 30, 2005</b>
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated				
Buildings	2,244,410	-	-	2,244,410
Equipment	78,850	19,514	-	98,364
Furniture and Fixtures	150,972	-	-	150,972
Book Collection	500,926	29,074	-	530,000
Total Capital Assets, being depreciated	2,975,158	48,588	-	3,023,746
Less: Accumulated Depreciation	(671,536)	(100,028)	-	(771,564)
Total Net Capital Assets	<u>\$ 2,328,622</u>	<u>\$ (51,440)</u>	<u>\$ -</u>	<u>\$ 2,277,182</u>

Depreciation for the fiscal year ended April 30, 2005 amounted to \$100,028.

### **C. Property Taxes**

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

For the year ended April 30, 2005, taxes levied for Library operations are as follows:

<u>PURPOSE</u>	<u>MILLS</u>
General Operating	1.0194

### **E. Pension Plan**

The Library has approved a tax-deferred annuity for employees and funds pension costs as they accrue \$4,278 for the year.



# **Boyne District Library**

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## **Notes To Financial Statements For Year Ended April 30, 2005**

### **IV. OTHER INFORMATION**

#### **A. Risk Management**

The Library participates in the Michigan Municipal League Insurance Pool to provide workers' compensation coverage and general liability and property insurance. The Library contributed \$6,643 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

#### **B. Endowment**

The Library has established an endowment fund with the Charlevoix County Community Foundation to provide funds for maintaining the building. The market value of fund is approximately \$131,652 at the end of the year.

# Boyne District Library

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For Year Ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Local Sources				
Property Tax Levy	\$ 242,750	\$ 372,750	\$ 379,076	\$ 6,326
Earnings on Investments and Deposits	8,500	8,457	8,546	89
Donations	5,000	5,000	9,627	4,627
Copy Machine Receipts	3,000	3,000	3,029	29
Book Fines	3,500	3,500	4,733	1,233
Miscellaneous	500	500	3,834	3,334
Intermediate Sources				
Penal Fines	30,000	37,600	37,658	58
State Sources				
State of Michigan	6,000	6,259	3,128	(3,131)
Total Revenues	<u>299,250</u>	<u>437,066</u>	<u>449,631</u>	<u>12,565</u>
<b>Expenditures:</b>				
Salaries & Wages	158,000	195,000	159,780	(35,220)
Fringe Benefits	23,500	30,000	37,131	7,131
Professional Services	5,750	5,250	4,095	(1,155)
Contracted Services	-	1,800	1,994	194
Utilities & Telephone	43,500	43,500	40,850	(2,650)
Insurance	7,000	7,000	6,643	(357)
Repairs and Maintenance	16,000	16,000	13,394	(2,606)
Library Books	20,000	30,000	29,074	(926)
Periodicals	1,500	2,500	1,877	(623)
Office Supplies	5,700	5,700	5,455	(245)
Operating Supplies	4,500	10,500	7,053	(3,447)
Dues and Fees	4,000	4,000	2,137	(1,863)
Miscellaneous	2,600	8,300	2,637	(5,663)
Capital Outlay	5,000	20,000	19,514	(486)
Total Expenditures	<u>297,050</u>	<u>379,550</u>	<u>331,634</u>	<u>(47,916)</u>
Excess of Revenues Over Expenditures	2,200	57,516	117,997	60,481
<b>Fund Balance - May 1, 2004</b>	<u>234,894</u>	<u>234,894</u>	<u>234,894</u>	<u>-</u>
<b>Fund Balance - April 20, 2005</b>	<u>\$ 237,094</u>	<u>\$ 292,410</u>	<u>\$ 352,891</u>	<u>\$ 60,481</u>

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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October 13, 2005

To the Board of Trustees  
Boyne District Library

We have audited the financial statements of Boyne District Library for the year ended April 30, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated August 8, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Boyne District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Boyne District Library are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended April 30, 2005. The daily operations and recording transactions did not change significantly, however, the Library is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Library's financial reporting process.

## **Disagreements with Management**

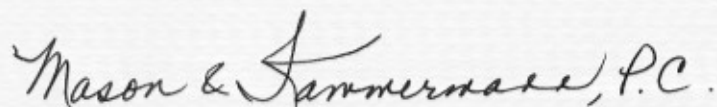
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Boyne District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Mason & Kammermann, P.C.  
Certified Public Accountants